M.E.P.C. CANADIAN PROPERTIES
LIMITED

ANNUAL REPORT
1967

Board of Directors

C. E. M. Hardie, C.B.E., F.C.A.
Metropolitan Estate and Property Corporation Limited
London, England

W. G. Tucker, Q.C.
Fraser, Beatty, Tucker, McIntosh & Stewart
Toronto, Ontario

P. A. Anker, F.R.I.C.S.
M.E.P.C. Canadian Properties Limited
Toronto, Ontario

P. A. Cumyn
Royal Securities Corporation Limited
Montreal, P.Q.

R. J. Dickinson
Metropolitan Estate and Property Corporation Limited
London, England

A. Ross Poyntz
The Imperial Life Assurance Company of Canada
Toronto, Ontario

D. N. Stoker
Nesbitt, Thomson and Company Limited
Montreal, P.Q.

D. A. Thompson, Q.C.
Thompson, Dilts and Company
Winnipeg, Manitoba

Executive Officers

C. E. M. Hardie, C.B.E., F.C.A.—*Chairman*

W. G. Tucker, Q.C.—*Deputy Chairman*

P. A. Anker, F.R.I.C.S.—*President*

C. Alec Shearson, C.A.—*Secretary*

Head Office

365 Bay Street, Toronto 1, Ontario, Canada

Auditors

Campbell, Sharp, Milne & Co.
—*Chartered Accountants*

Stock Transfer Agent and Registrar

The Royal Trust Company

Bond Trustees

The Royal Trust Company

Montreal Trust Company

Shares Listed

The Toronto Stock Exchange

M. E. P. C. CANADIAN PROPERTIES LIMITED

President's Report and Accounts

for the Year Ended September 30, 1967

365 Bay Street, Toronto 1

M.E.P.C. Canadian Properties Limited

is a subsidiary company of

Metropolitan Estate and Property Corporation Limited

Brook House, 113 Park Lane, London W.1, England

REPORT BY THE PRESIDENT TO THE SHAREHOLDERS OF M.E.P.C. CANADIAN PROPERTIES LIMITED

The Balance Sheet and Statement of Accounts included in this report indicate continued growth and expansion in the Company's operations. Your Company's property assets, on an "at cost" basis, have increased by over 20% from $36,013,691 to $43,389,075. The profit on property operations, after all expenses but before charges for depreciation, etc. has risen from $1,271,118 to $1,664,310—an increase of over 30%. The rental income does not reflect a full 12 months return on the Company's investment program, as many projects were either completed or acquired towards the end of the Company's financial year.

During the past year the Company completed most of the financial program outlined in my last report to the shareholders, the main items of which were the raising of $2,500,000 by way of issue of 100,000 6% cumulative redeemable preference shares, and the raising of approximately $3,000,000 U.S. by way of issue of first mortgage bonds at an interest rate of 6⅜%. The Company still owns a substantial amount of unencumbered real estate which will be financed by way of mortgages or mortgage bonds as and when financial conditions are considered suitable by your Board. This group of free properties is, of course, a useful cushion for future borrowing.

The Company's property investment program over the past year has shown two interesting trends. First of all, there has been more diversification. The Company acquired several store and retail units in prime downtown locations. The Company also acquired and developed a wider variety of industrial units with shorter leases; in particular industrial centres, examples of which are illustrated in this report. The Company is also for the first time considering the acquisition or development of residential properties. Provided the present inflationary demand for accommodation continues, these investments appear, at this time, more attractive than long term leasebacks. Quite apart from these new additions to our portfolio, the Company continued to provide several extensions to commercial facilities already leased to existing tenants under leaseback arrangements; such extensions are provided under rental rates current at the time.

The second trend has been a definite increase in our investments in Western Canada, with perhaps the exception of Winnipeg. The Company has found that there has been substantial growth in cities like Saskatoon, Calgary, Edmonton, and Vancouver, and the initial returns appear to be more attractive than those presently obtainable in the developed urban centres of Toronto and Montreal. One can only assume this growth will be maintained with continuing appreciation in values.

As far as Winnipeg is concerned, your Company, along with other major property and development companies, submitted strong but unsuccessful objections to the Manitoba Government against the legislation introduced this year, under which the major burden of municipal taxation related to education was transferred to commercial and industrial real estate. The Company's return on this type of investment in Winnipeg was already marginal in relation to the other major urban centres and this additional penalty to the owners of commercial real estate appears, at this time, not only to prejudice reversionary

values but to necessitate especially careful examination before any further investments are made. Our existing portfolio in Manitoba is under constant surveillance by your Directors.

The present high cost of money, and business conditions generally, will, of course, affect some of our plans for the next few months. Traditionally real estate values adjust themselves to economic conditions but usually only after some months have elapsed. When the property market stabilizes, it is the intention of your Directors to continue the Company's program of expansion at rentals adjusted to then current market conditions and costs. The Company, together with our parent company, is also investigating several sources for funds in substantial amounts—again with a view to maintaining the Company's growth.

At this time I cannot see any lowering in demand for real estate facilities. I quote from a recent report of the Economic Council, as follows: "A vast increase in new housing is needed for Canada's expanding population. . . . This great expansion will bring enormously increased demands for capital investment in the form of machinery and equipment, factories and office buildings and other forms of capital." This demand, plus the fact that buildings today cannot be produced at the same cost as that of a few years ago, makes the Company's holdings an extremely valuable asset—and, indeed, an asset which should continue to increase in value. While a number of the Company's leases still have several years to run before the reversionary values can be obtained, from a long term point of view, the future looks encouraging.

Our associated companies, Mepcon Estates Limited and Impco Properties Limited, have continued to grow. We are most grateful for the excellent working relationship enjoyed with our colleagues in the institutions concerned.

I am pleased to advise you that at a special meeting of the Series A bondholders held on September 25, 1967 various amendments were approved to the Series A Trust Deed. These amendments have given the Company more freedom of action in handling its portfolio of real estate, which is especially desirable in current economic conditions. At the same time the bondholders' approval indicates the view shared by your Directors, that there has been no prejudice to their security.

It has already been reported that the Company has increased its dividend payments to the common shareholders. A dividend of five cents per share was paid to the shareholders on January 16, 1967 and a further dividend of five cents per share was paid on September 15, 1967—a total of ten cents per share for this financial year compared with eight cents per share for the previous year. The Directors have also stated their intention to pay further dividends on a regular half-yearly basis in March and September of each year.

Your Company is still in a position to consider new investment opportunities as they appear, provided of course that they meet our current demanding standards for both quality of real estate and financial results. We have built up an excellent management team to handle our existing portfolio to its best advantage and at the same time to be available to investigate any new proposals. In this regard, I would like to express sincere thanks to my colleagues on the Board and to all members of the staff for their support and efforts during the past year.

November 15, 1967

P. A. Anker,
President.

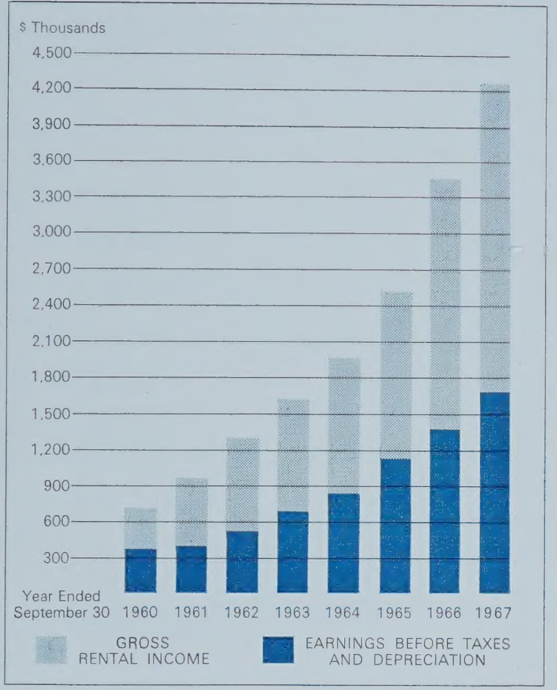
MARINE INDUSTRIAL CENTRE, VANCOUVER—*to be constructed on South East Marine Drive, Vancouver.*

DIAMOND INDUSTRIAL CENTRE, SASKATOON—*recently completed in Saskatoon.*

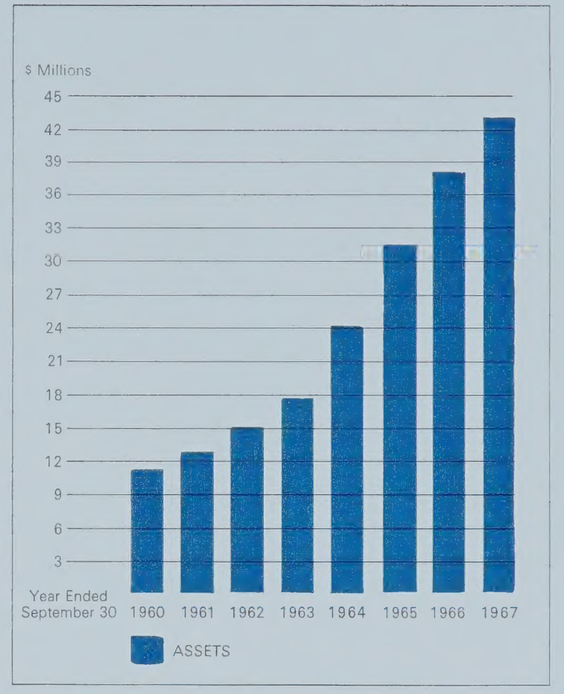
M.E.P.C. CANADIAN PROPERTIES LIMITED

AND SUBSIDIARY COMPANIES

INCOME GROWTH



ASSET GROWTH



METROPOLITAN ESTATE AND PROPERTY CORPORATION LIMITED

BROOK HOUSE, 113 PARK LANE, LONDON W.1
(PARENT COMPANY)

DIRECTORS

C. E. M. Hardie, C.B.E., F.C.A.	*Chairman*	R. J. Dickinson
J. Scrimgeour, C.M.G., O.B.E.	*Deputy Chairmen*	W. E. Philp, F.R.I.C.S., F.A.I.
A. Kennedy Kisch, M.A.		J. C. Hawkes, F.R.I.C.S.
R. H. Sheppard, F.A.I.	*Managing Director*	M. R. Creasey, F.A.I.
Sir Nutcombe Hume, K.B.E., M.C.		Bernard Dufton, F.C.A.

Metropolitan Estate and Property Corporation Limited is one of the larger property companies in the United Kingdom. It was incorporated in 1946 to merge and acquire the assets and undertakings of several well known property companies, some of whom had been operating in the real estate investment business for over 30 years. At the present time the Company owns approximately 69% of the common shares of M.E.P.C. Canadian Properties Limited. Metropolitan has a current net worth of approximately $100,000,000 as shown by the following summary of its Consolidated Balance Sheet as at September 30th, 1967 and is regarded as one of the leading investment companies quoted on the United Kingdom stock exchanges in the real estate field.

ASSETS		LIABILITIES	
Current Assets	$ 11,813,583	Current Liabilities	$ 22,338,435
Properties—cost	217,234,068	Long Term Debt	102,290,511
Other Assets	4,338,579	Other Liabilities	9,421,914
		Shareholders' Equity	99,335,370
	$233,386,230		$233,386,230

M.E.P.C. CANADIAN P

AND SUBSIDI

Consolidated Balance

			Comparative 1966
CURRENT ASSETS			
Cash		**$ 142,270**	*$ 138,675*
Short term investments—at cost		**492,334**	*2,486,323*
Rents and sundry receivables		**170,459**	*111,667*
Prepaid expenses		**97,881**	*99,987*
		902,944	*2,836,652*
PROPERTIES			
At cost	$43,389,075		*36,013,691*
Less: Accumulated depreciation	2,568,957		*1,927,327*
		40,820,118	*34,086,364*
OTHER ASSETS			
Unamortized financing and other expenses	486,587		*419,702*
Advances to affiliated company re purchase of land (note 7)	440,937		*441,148*
		927,524	*860,850*
		$42,650,586	*$37,783,866*

Approved on behalf of the Board

P. A. ANKER, *Director*

W. G. TUCKER, *Director*

The accompanying notes are a

To the Shareholders,
M.E.P.C. CANADIAN PROPERTIES LIMITED

We have examined the consolidated balance sheet of M.E.P.C. Canadian Properti ments of income, surplus and source and application of funds for the year ended on t tests of accounting records and other supporting evidence as we considered necessary in

In our opinion the accompanying balance sheet and statements of income, surplu companies as at September 30, 1967, and the consolidated results of their operations for a basis consistent with that of the preceding year.

Toronto, Canada
November 6, 1967.

OPERTIES LIMITED

COMPANIES

et September 30, 1967

			Comparative 1966
CURRENT LIABILITIES			
Bank advances		$ 167,742	*$ 1,476,931*
Accounts payable and accrued liabilities		1,128,767	*1,503,200*
Note payable—6¾% maturing April 28, 1968		2,000,000	*2,000,000*
Income taxes payable		120,000	—
		3,416,509	*4,980,131*
MINORITY INTEREST IN SUBSIDIARY COMPANIES		10,451	*2,491*
LONG TERM DEBT (note 2)		24,020,920	*18,033,101*
DEFERRED INCOME TAXES (note 3)		500,000	*500,000*
SHAREHOLDERS' EQUITY (notes 4 and 5)			
Capital stock			
Authorized			
240,000 Preference Shares with a par value of $25. each, issuable in series			
5,000,000 Common Shares without par value			
Issued and fully paid			
100,000 6% Cumulative, Redeemable, Preference Shares, Series A	$ 2,500,000		*2,500,000*
3,785,180 Common Shares	9,771,679		*9,741,179*
	12,271,679		*12,241,179*
Surplus	2,431,027		*2,026,964*
		14,702,706	*14,268,143*
		$42,650,586	*$37,783,866*

gral part of the financial statements.

nited and its subsidiary companies as at September 30, 1967 and the consolidated state-
te. Our examination included a general review of the accounting procedures and such
rcumstances.

source and application of funds present fairly the consolidated financial position of the
ear then ended, in accordance with generally accepted accounting principles applied on

CAMPBELL, SHARP, MILNE & CO.,
Chartered Accountants.

M. E. P. C. CANADIAN PROPERTIES LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Surplus

FOR THE YEAR ENDED SEPTEMBER 30, 1967

			Comparative 1966
Balance, October 1, 1966		**$ 2,026,964**	*$ 1,715,155*
Add:			
Net income for the year (note 3)		**931,841**	*865,036*
		2,958,805	*2,580,191*
Less:			
Dividends paid—preference shares	$ 150,000		*26,300*
—common shares	377,778		*301,944*
Expenses of preference share issue	—		*224,983*
		527,778	*553,227*
Balance, September 30, 1967		**$ 2,431,027**	*$ 2,026,964*

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Income

FOR THE YEAR ENDED SEPTEMBER 30, 1967

			Comparative 1966
Rental Income		**$ 4,213,575**	*$ 3,413,510*
Less:			
Direct property expense (heating, lighting, insurance, repairs and maintenance, municipal taxes, etc.)	$ 859,673		*765,876*
Property administration	100,095		*58,214*
		959,768	*824,090*
Net Rental Income		**3,253,807**	*2,589,420*
Less:			
Interest on long term debt	1,396,175		*1,137,522*
Other interest	121,621		*70,923*
Interest income	(119,489)		*(70,372)*
	1,398,307		*1,138,073*
Administration	159,640		*136,168*
Sundry expense	31,550		*44,061*
		1,589,497	*1,318,302*
		1,664,310	*1,271,118*
Depreciation—buildings		**604,509**	*488,954*
Net Income before special item		**1,059,801**	*782,164*
Gain on sale of property		—	*78,737*
Net Income before income taxes		**1,059,801**	*860,901*
Provision for current income taxes (note 3)		**120,000**	—
		939,801	*860,901*
Less: Minority interest in operations of subsidiaries		**7,960**	*(4,135)*
Net Income for the year		**$ 931,841**	*$ 865,036*

The accompanying notes are an integral part of the financial statements.

M. E. P. C. CANADIAN PROPERTIES LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds

FOR THE YEAR ENDED SEPTEMBER 30, 1967

		Comparative 1966
Net income for the year	**$ 931,841**	*$ 865,036*
Depreciation and amortization	**698,707**	*561,904*
	1,630,548	*1,426,940*
Annual payments on long term debt	**789,109**	*713,184*
Funds available from operations	**841,439**	*713,756*
Dividends paid	**527,778**	*328,244*
Funds available from operations for reinvestment	**313,661**	*385,512*
Additional long term debt—net	**6,776,928**	*913,243*
Issues of capital stock—net	**30,500**	*2,275,017*
Increase in net current debt including short term notes and bank financing	**370,086**	*1,481,669*
Increase of minority interest in subsidiary companies	**7,960**	*(4,135)*
	$7,499,135	*$5,051,306*
Represented by:		
Increased investment in properties	**$7,375,384**	*$5,018,714*
Expenditures on other assets	**123,751**	*32,592*
	$7,499,135	*$5,051,306*

The accompanying notes are an integral part of the financial statements.

Notes to Consolidated Financial Statements September 30, 1967

1. Capital commitments at September 30, 1967 for the acquisition and/or development of properties amounted to approximately $2,825,000.

2. Long term debt as at September 30, 1967 includes the following:

Mortgages payable	$13,768,499
First mortgage bonds	
6¾%, Series A, due August 1, 1982	2,750,000
1983 Series, due December 1, 1983	
5⅞% ($3,062,500 U.S. Funds)	3,309,796
6⅜%	612,500
1987 Series, due January 9, 1987	
6⅜% ($3,000,000 U.S. Funds)	3,238,125
Notes payable	342,000
	$24,020,920

Mortgages payable are subject to interest rates varying from 6% to 7½%, mature at various dates in the fiscal years 1968 to 1992, and are repayable approximately as follows:

Fiscal Year		Fiscal Year	
1968	$558,377	1971	$ 437,117
1969	645,411	1972	493,384
1970	408,860	Subsequent to 1972	11,225,350
			$13,768,499

Under the terms of the Trust Deeds securing the First Mortgage Bonds, the Company is required to retire for cancellation or redemption by call for the purpose of a Sinking Fund the following amounts of such bonds:

Series A —6¾%—$125,000 on or before August 1, in each of the years 1968 to 1981;

1983 Series—5⅞%—U.S. Funds—$62,500 on June 1 and December 1, in each year up to and including June 1, 1983;

—6⅜%—$12,500 on June 1 and December 1 in each year up to and including June 1, 1983;

1987 Series—6⅜%—U.S. Funds—$105,000 on or before December 1, 1967 and $52,500 on or before June 1 and December 1 in each year thereafter and up to and including December 1, 1986.

Notes payable bear interest at 6½% and mature $117,000 on April 1, 1985 and $225,000 on February 1, 1986.

3. In addition to income taxes currently payable, $417,000. will be deferred to future years by claiming additional capital cost allowances and amortization for income tax purposes. The total amount of such deferments to September 30, 1967, including the amount of $500,000 previously set aside in the accounts, is approximately $2,057,000.

4. The Preference Shares, Series A, are redeemable at $26.25 per share up to and including June 1, 1969 and thereafter at reducing amounts.

   The Company is required to set aside on January 1, in each year, beginning in 1969, an amount equal to not more than $50,000 to be used under certain conditions as a fund for the purchase for cancellation of Preference Shares, Series A. The amounts set aside and not used for the purchase of such Preference Shares shall at no time aggregate more than $100,000.

   96,600 Common Shares without par value are reserved for issuance against the exercise of the 1960 Share Purchase Warrants originally issued accompanying the Series A Bonds and entitling the holders thereof to purchase Common Shares at $3.50 on or before August 1, 1970.

   100,000 Common Shares without par value are reserved for issuance against the exercise of the 1966 Share Purchase Warrants originally issued accompanying the Preference Shares, Series A, and entitling the holders thereof to purchase Common Shares at $3.50 per share on or before June 30, 1976.

   11,000 Common Shares without par value were issued during the year for an aggregate cash consideration of $30,500 under stock options granted to executives of the Company. At September 30, 1967, a further 20,000 Common Shares were reserved for issuance under such stock options and 5,000 of such shares were issued during October for a cash consideration of $12,500. The balance of 15,000 shares may be purchased at $3.00 per share exercisable with respect to 7,500 shares after October 1, 1967 and up to the close of business on October 1, 1968 and up to 7,500 shares thereafter and up to the close of business on October 1, 1969.

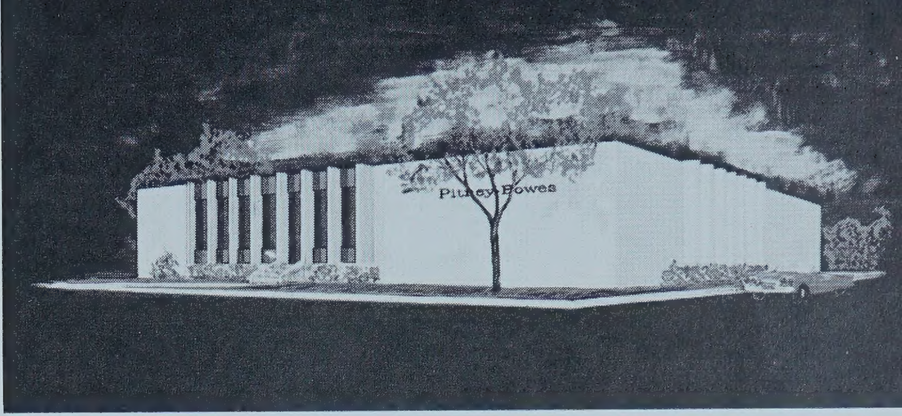
5. The Trust Deeds securing the First Mortgage Bonds contain certain restrictions on the declaration or payment of dividends on Common Shares and the redemption or reduction of capital stock, excepting the retirement of preference shares under mandatory retirement provisions, so long as any of the said bonds are outstanding.

   The conditions attaching to the Preference Shares, Series A, contain certain restrictions on the declaration or payment of dividends on the Common Shares.

6. The aggregate remuneration paid to directors and senior officers of the Company (as defined in the Ontario Corporations Act) amounted to $80,020 for the year ended September 30, 1967.

7. The affiliated company has granted an option, subject to the fulfillment of certain conditions, for the purchase of undeveloped land which, if exercised, could result in a loss on realization of these advances in the amount of approximately $75,000; this is primarily attributable to carrying charges incurred by the affiliated company since acquisition of the land.

8. The comparative figures for 1966 have been restated to reflect certain minor changes in classification made in the 1967 fiscal year.

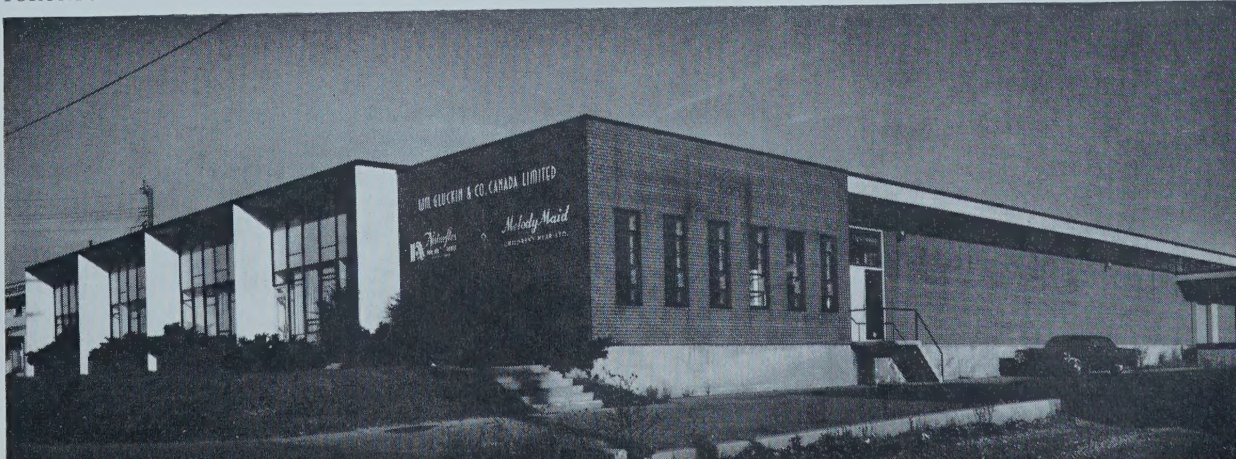


EDMONTON

VANCOUVER

CURRENT DEVELOPMENTS AND ACQUISITIONS

TORONTO



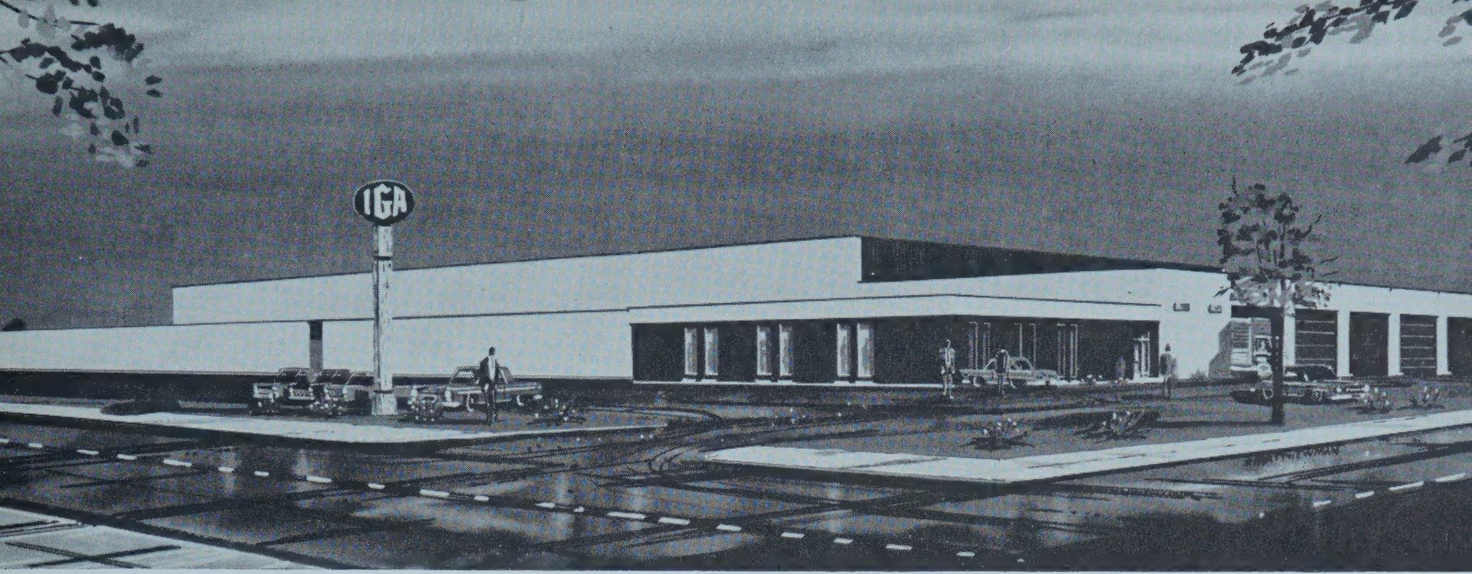
BLOOR AND YONGE STREET, TORONTO

SPARKS STREET, OTTAWA

Some examples of stores recently acquired by the company in prime downtown locations.

WEST PENDER STREET, VANCOUVER

EIGHTH AVENUE, S. W., CALGARY



NUTANA INDUSTRIAL PARK, SASKATOON, SASKATCHEWAN
Artist's drawing of office and warehouse facilities currently under construction for Codville Distributors Limited.

	BRANCH OFFICES:	MANAGER
Toronto	365 Bay Street, Toronto 1, Ontario	M. H. MORGAN, A.A.I., F.R.I.
Ottawa	140 Wellington Street, Ottawa 4, Ontario	M. E. BILLINGHURST, A.R.I.C.S. J. B. CAMPBELL, C.G.A.
Winnipeg	287 Broadway Avenue, Winnipeg, Manitoba	A. K. STEPHENS
Calgary	627 6th Avenue S.W., Calgary, Alberta	R. A. GREINER, F.R.I.
Vancouver	1033 Davie Street, Vancouver, British Columbia	P. W. SKYNNER, F.R.I.

M. E. P. C.